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TALKING POINTS

US-China Relations

--Pleased to welcome you to the US. Your visit can make important contributions to strengthening US-China relations. Was pleased to welcome Vice Premier Wu to Washington in March, when he was still Foreign Minister. His visit accomplished a great deal.

--I am planning to visit Beijing July 14-16. Senior visits reflect the value we place on good relations with your country.

--Our relationship is fundamentally sound. It has become multi-faceted, with cooperation in political, economic, scientific, and military fields. Most recent successes include cooperation in seizing illegal drugs and your decision to accept Peace Corps program.

Tibet and Taiwan

--Welcome your decision to reopen Tibet to tourists and reaffirmation of respect for rights of Tibetans. Travel by U.S. Congressional delegations has been helpful. Encourage continuation of open policy, including more regular access to Tibet by journalists.

--With regard to Taiwan, the principles on which our policy is based are steadfast and consistent. We remain faithful to the principle of one China and to our joint communiqües.

--Welcome the interchanges that have taken place between you and Taiwan over the past year, and hope this process will continue in a climate of relaxed tensions. Will continue to seek to foster such a climate.

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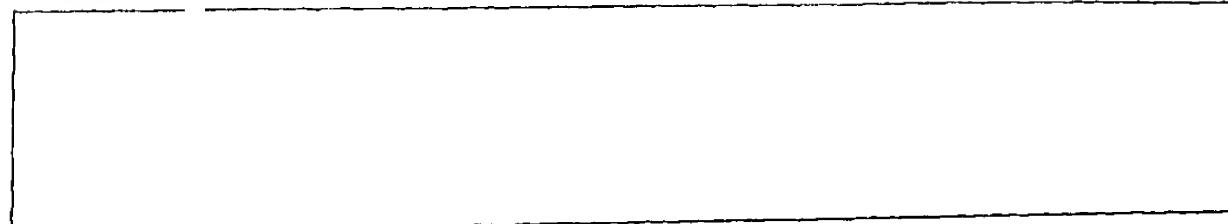
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Chinese Arms Transfers to Iran



--Appreciate China's willingness to support a UN resolution imposing an arms embargo, necessary to pressure Iran to end the war. I hope your delegation in NY will work actively in favor of such a resolution.

PRC's Transfer of IRBM's to Saudi Arabia (1)

--China's sale of intermediate range ballistic missiles to Saudi Arabia has caused deep concern in the US.

--Appreciate China's assurances that warheads provided to Saudi Arabia are non-nuclear. Nonetheless, believe there is a danger to international stability inherent in proliferation of missile technology and missile delivery systems.

--Wish to stress that our concerns about the dangers are not limited to this particular sale, or to the Middle East. For example, we are concerned that India-Pakistan tensions could be heightened by acquisition by either party of ballistic missiles. This is a global problem, requiring the attention of all countries possessing missile technology, including the US and China.

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PRC's Transfer of IRBM's to Saudi Arabia (2)

--Transfer of ballistic missile systems and related technology lessens constraints on other nations to obtain similar missiles.

--China has welcomed the INF Treaty as a first step in easing international tensions. A decision by China to refrain from transferring the class of missiles included in the Treaty would be a welcome contribution to global efforts to eliminate this class of weapon.

--Look forward to discussing in diplomatic and military channels how we and other nations can deal with the dangers posed by proliferation of missile systems and technologies.

*Delta: leading to a
missile arms race
in the Third World.*

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US-Soviet Relations

-- Pace of preparations for President's May 29-June 2 Moscow trip quickening. I will meet FM Shevardnadze in Geneva May 11-12.

-- For the summit, we envision a full, substantive schedule focusing on our four-part agenda.

-- START: We will not be able to iron out all the problems in time to initial a text in Moscow. But progress is cumulative, and should leave a strong legacy for the future.

-- REGIONAL: Soviets have said Afghanistan settlement can serve as a model. We are pushing them on details and want to see similar progress on Cambodia, Arab-Israeli conflict and Southern Africa.

Korean Peninsula

-- We have a mutual interest in assuring peace and stability on the Korean peninsula, and in creating a safe, secure environment for the Olympics. We hope you can encourage the North Korean leadership toward policies of restraint which will promote these objectives.

-- We have attempted to take steps toward the DPRK and that regime's response was the destruction of KA-858. We are, however, prepared to discuss your concern for parallel steps with our ROK ally.

-- We recognize that China maintains close relations with the North, but believe it would be constructive for you to pursue a more open, broader relationship with the South, including the establishment of formal trade relations. Your remarks last March concerning the possibility of direct trade with South Korea were an important step forward.

-- Apart from advancing the economic interests of China and the ROK, we believe that such ties ultimately would enhance peace and stability on the Korean peninsula.

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Cambodia

--We share a common perception that a solution depends upon terminating the Vietnamese occupation of Cambodia. We need to maintain pressure on Vietnam and the Soviet Union to achieve this goal.

--Resolutions have been proposed in the U.S. Congress to establish liaison offices in Hanoi and Washington. Administration opposes the establishment of such liaison offices, which would undercut our efforts to maintain pressure for a Vietnamese withdrawal..

Sino-Japanese Relations

--We understand that there have been certain strains in China's relations with Japan over the past year. How would you characterize Sino-Japanese relations at this time?

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Economic Issues

- o (Tian is likely to raise all of the following issues. In view of the limited time at your meeting, you may wish to discuss them at your dinner for Tian on the evening of May 8.)

PRC Economy

- Encouraged by your government's decision to advance the process of economic reform, especially the commitment to accelerate China's opening to the outside world.
- Decision to create coastal development zone reflects healthy awareness of competitive environment in which you operate. Great success of the "little tigers" of the Pacific Rim in achieving economic growth and improved living standards is good standard for China to emulate.
- Success of these economies provides challenge for further economic reform in China. China clearly has potential to attract the trade and investment it needs, as long as foreign partners see competitive advantage to doing business with you.

PRC Accession to the GATT (if raised)

- Strongly support China's participation in the GATT as a contracting party. We are working with you to negotiate appropriate terms for its GATT membership.
- Recognize that the PRC's economy is in transition to a more market-oriented structure. However, believe that terms of China's GATT participation must also address non-tariff barriers, export subsidies, and other non-market distortions still present in China's trading system.
- Understand that China wishes to enter the GATT as a developing country and is concerned about the issues of MFN treatment, GSP eligibility, and the application of unfair trading practice regulations. These issues should be addressed in the context of the obligations that the PRC will assume under its protocol of accession to the GATT.

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Bilateral Investment Treaty (if raised)

—Please you have been working to address problems foreign investors have brought to your attention. We will welcome more measures for addressing investor concerns.

-- However, U.S. investors still cite problems relating to repatriation of profits, access to domestic markets, the purchase of supplies and raw materials, intellectual property rights, and the overall legal structure.

-- Believe that bilateral investment treaty should address such issues to establish fair and predictable treatment for investors. Treaty that does not do this will be only a general political document and will not attract much new investment.

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